

BRONSON HOUSING COMMISSION
BRONSON, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Bronson Housing Commission	County
Audit Date 6/30/05	Opinion Date 2/24/06	Date Accountant Report Submitted to State: 2/24/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			
Street Address 1107 E. Eighth Street	City Traverse City	State MI	ZIP 49686
Accountant Signature <i>Barry E. Gaudette, CPA</i>		Date 2/24/06	

BRONSON HOUSING COMMISSION
TABLE OF CONTENTS
June 30, 2005

	<u>Page</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1-2
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)</u>	3-6
<u>FINANCIAL STATEMENTS</u>	
Basic Financial Statements:	
Fund Financial Statements:	
Proprietary Fund:	
Statement of Net Assets	7-8
Statement of Activities	9
Statement of Cash Flows	10-11
Notes to Financial Statements	12-21
 <u>SUPPLEMENTAL INFORMATION</u>	
Fund Financial Statements:	
Proprietary Fund:	
Combining Statement of Net Assets	22-23
Combining Statement of Activities	24
Combining Statement of Cash Flows	25-26
Schedule of Expenditures of Federal Awards and	
Notes to the Schedule of Federal Awards	27
Financial Data Schedule	28-31
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	32-33
Adjusting Journal Entries	34

INTRODUCTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Independent Auditor's Report

Board of Commissioners
Bronson Housing Commission
Bronson, Michigan

I have audited the accompanying financial statements of the business-type activities of the Bronson Housing Commission, Michigan, a component unit of the City of Bronson, as of and for the year ended June 30, 2005, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Bronson Housing Commission, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6(D), the Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended and interpreted as of June 30, 2005.

Bronson Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated February 24, 2006, on my consideration of Bronson Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be in considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on page 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that comprise Bronson Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Barry E. Landolt, CPA, PC

February 24, 2006

BRONSON HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
June 30, 2005
=====

Bronson Housing Commission, created in 1950, by the City of Bronson provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Bronson Housing Commission consists of two programs. The first is owned housing, consisting of 50 units of public housing and the second is the capital funding program. Bronson Housing Commission had total revenues of \$286,001 that includes \$92,979 in rental payments and \$180,418 in federal assistance. Total operating expenses were \$378,665, that includes \$111,376 in administrative expenses, \$39,430 in utilities, \$57,354 in ordinary maintenance expenses, and \$146,704 in depreciation expense. Total revenues increased by \$19,065 from the prior year and operating expenses increased by \$33,529 over the prior year for a net decrease of \$14,464, in part due to improvements in employee benefits.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent year by \$1,575,205. The Housing Commission's total net assets decreased by \$92,664 from the prior year. The decrease is attributable in part to the depreciation expense of \$146,704 and the improvement in employee benefits.

Total assets of the Housing Commission were \$1,598,590 including \$303,838 of current assets and \$1,294,752 of net property and equipment assets. The Housing Commission had current liabilities of \$21,436 and noncurrent liabilities of \$1,949. Assets decreased, in part, by \$89,541 from the prior year due to the depreciation expense of \$146,704 compared to only \$41,183 in capital outlays.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Activities - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital c

BRONSON HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
(CONTINUED)
June 30, 2005
=====

contributions.

- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Commission's current position

The Bronson Housing Commission's current overall financial position compared to last year, has improved slightly. Due to the uncertainty of the budget appropriation process and the annual decline in funding levels the Bronson Housing Commission has taken appropriate precautions in minimizing expenses.

In fiscal year 2004/2005 the Bronson Housing Commission spent approximately \$32,100.00 in building improvements. The improvements being the re-roofing of two buildings and the construction of roof extensions over the main office rear entry doors in the winter. Since that time, five additional Pleasant Homes roofs have been re-done and a parking lot constructed at Fairview Manor (\$46,566.00) in the fall of 2005. The Bronson Housing Commission plans to remove all windows at Fairview Manor and replace them with new ones using 2006 and 2007 Capital Fund Program monies.

Currently, Public Housing Authorities that are not considered small are required to convert to Asset Management based accounting. At this point, the Bronson Housing Commission is not required to convert but the mandate may come in the future. A significant change in funding is expected to take place effective January 1, 2007. A major component of this change is going to be determining the Project Expense Level for each PHA. At this point, the Bronson Housing Commission is scheduled to lose approximately 5% in Operating Subsidy which will have a significant effect on it's financial position.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Shanda J. Wrozek, Executive Director
318 S. Ruggles Street, Bronson, MI 49028

BRONSON HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
(CONTINUED)
June 30, 2005
=====

Financial Analysis of the Housing Commission

The following condensed statement of net assets show a summary of changes for the years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Current assets	\$ 303,838	\$ 290,709	\$ 13,129
Property and equipment	<u>1,294,752</u>	<u>1,397,422</u>	<u>(102,670)</u>
Total assets	<u>\$1,598,590</u>	<u>\$1,688,131</u>	<u>\$ (89,541)</u>
Current liabilities	\$ 21,436	\$ 18,754	\$ 2,682
Noncurrent liabilities	<u>1,949</u>	<u>1,508</u>	<u>441</u>
Total liabilities	<u>23,385</u>	<u>20,262</u>	<u>3,123</u>
Net assets:			
Invested in capital assets	1,294,752	1,397,422	(102,670)
Unrestricted net assets	<u>280,453</u>	<u>270,447</u>	<u>10,006</u>
Total net assets	<u>1,575,205</u>	<u>1,667,869</u>	<u>(92,664)</u>
Total liabilities and net assets	<u>\$1,598,590</u>	<u>\$1,688,131</u>	<u>\$ (89,541)</u>

BRONSON HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
(CONTINUED)
June 30, 2005
=====

Financial Analysis of the Housing Commission (continued)

The following table summarizes the statement of activities of the Housing Commission for the years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 92,979	\$ 94,867	\$ (1,888)
Nondwelling rent	<u>7,161</u>	<u>5,666</u>	<u>1,495</u>
Total operating revenues	<u>100,140</u>	<u>100,533</u>	<u>(393)</u>
Operating expenses:			
Administration	111,376	79,079	32,297
Tenant services	508	465	43
Utilities	39,430	37,509	1,921
Ordinary maintenance and operation	57,354	53,813	3,541
General expenses	21,893	26,195	(4,302)
Extraordinary maintenance	1,400	2,861	(1,461)
Depreciation	<u>146,704</u>	<u>145,214</u>	<u>1,490</u>
Total operating expenses	<u>378,665</u>	<u>345,136</u>	<u>33,529</u>
Operating income(loss)	<u>(278,525)</u>	<u>(244,603)</u>	<u>(33,922)</u>
Non-operating revenue:			
Interest income	3,993	1,501	2,492
Other income	1,450	1,115	335
Operating grants	<u>180,418</u>	<u>163,787</u>	<u>16,631</u>
Total nonoperating revenue	<u>185,861</u>	<u>166,403</u>	<u>19,458</u>
Change in Net Assets	<u><u>\$ (92,664)</u></u>	<u><u>\$ (78,200)</u></u>	<u><u>\$ (14,464)</u></u>

FINANCIAL STATEMENTS

BRONSON HOUSING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2005
=====

ASSETS

Current Assets:

Cash	\$ 240,364
Accounts receivable-miscellaneous	2,390
Accounts receivable-dwelling rents	4,296
Allowance for doubtful accounts	(2,636)
Accrued interest receivable	150
Investments-unrestricted	24,500
Prepaid expenses	16,567
Inventories	<u>18,207</u>

Total Current Assets	<u>303,838</u>
----------------------	----------------

Property and Equipment:

Land	10,116
Buildings	2,767,651
Equipment	69,387
Building improvements	<u>718,634</u>
	3,565,788
Less: accumulated depreciation	<u>(2,271,036)</u>

Net Property and Equipment	<u>1,294,752</u>
----------------------------	------------------

Total Assets	<u><u>\$ 1,598,590</u></u>
--------------	----------------------------

See notes to financial statements

BRONSON HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2005
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 7,838
Tenant security deposit liability	8,111
Accrued expenses	3,952
Deferred revenues	<u>1,535</u>
Total Current Liabilities	21,436
Noncurrent Liabilities:	
Accrued compensated absences	<u>1,949</u>
Total Liabilities	<u>23,385</u>
Net Assets:	
Invested in capital assets	1,294,752
Unrestricted net assets	<u>280,453</u>
Total Net Assets	<u>1,575,205</u>
Total Liabilities and Net Assets	<u>\$1,598,590</u>

See notes to financial statements

BRONSON HOUSING COMMISSION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

=====

OPERATING REVENUES:

Dwelling rent	\$ 92,979
Nondwelling rent	<u>7,161</u>

Total operating revenues	<u>100,140</u>
--------------------------	----------------

OPERATING EXPENSES:

Administration	111,376
Tenant services	508
Utilities	39,430
Ordinary maintenance and operation	57,354
General expenses	21,893
Extraordinary maintenance	1,400
Depreciation	<u>146,704</u>

Total operating expenses	<u>378,665</u>
--------------------------	----------------

Operating income (loss)	<u>(278,525)</u>
-------------------------	-------------------

NONOPERATING REVENUES:

Investment interest income	3,993
Other income	1,450
Operating grants	<u>180,418</u>

Total nonoperating revenues	<u>185,861</u>
-----------------------------	----------------

Change in net assets	(92,664)
----------------------	-----------

Net assets, beginning	<u>1,667,869</u>
-----------------------	------------------

Net assets, ending	<u>\$ 1,575,205</u>
--------------------	---------------------

See notes to financial statements

BRONSON HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2005
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 101,723
Cash payments to other suppliers of goods and services	(114,683)
Cash payments to employees for services	(114,851)
Cash payments for in lieu of taxes	(4,850)
Net cash (used) by operating activities	(132,661)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	(361)
Operating grants	180,418
Other revenue	(940)
Net cash provided by noncapital financing activities	179,117

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Payments for capital acquisitions	(44,034)
Net cash (used) by capital and related financing activities	(44,034)

CASH FLOWS FROM INVESTING ACTIVITIES:

Receipts of interest and dividends	3,965
Net cash provided by investing activities	3,965

Net increase(decrease) in cash	6,387
--------------------------------	-------

Cash, beginning	233,977
-----------------	---------

Cash, ending	\$ 240,364
--------------	------------

BRONSON HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2005
=====

RECONCILIATION OF CASH AND CASH
EQUIVALENTS PER STATEMENT OF CASH
FLOWS TO THE BALANCE SHEET:

Cash	\$ 240,364
Restricted cash	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 240,364</u>

SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:

Operating income(loss)	\$(278,525)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	146,704
Bad debt allowance	(1,060)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	1,722
Prepaid expenses	(6,163)
Inventories	1,177
Increase (decrease) in liabilities:	
Accounts payable	2,293
Accrued wages/payroll taxes	(504)
Accrued compensated absences	2,097
Accrued payments in lieu of taxes	(263)
Deferred revenues	<u>(139)</u>
Net cash (used) by operating activities	<u>\$(132,661)</u>

See notes to financial statements

BRONSON HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bronson Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

Bronson Housing Commission is a component unit of the City of Bronson. The Housing Commission is a Public Housing Agency created by the City of Bronson on June 20, 1950, consisting of a five member board appointed by the City of Bronson and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Bronson Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3025, the Housing Commission constructed, maintains and operates 50 units of subsidized housing in the City of Bronson, Michigan.

Fund Financial Statements

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Activities and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities,

equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the statement of net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net assets components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Bronson Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other programs" and "due to other programs" on the statement of net assets.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$25 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings		40 years
Furniture, equipment and machinery	5 -	10 years
Building improvements		10 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-

of-debt are excluded from operating expenses. Depreciation expense is charged to invested in capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave. A terminated employee shall receive pay for unused accrued vacation leave, based on their length of employment before the last workday. In the event of death of an employee, accrued vacation will be paid the employee's estate.
- * Sick leave. Unused sick leave credit shall be paid upon the retirement or proper resignation of the employee at a rate of one-half the accumulated days, based upon the previous January 1st hourly rate up to a maximum payment equivalent to 65 work days pay.
- * Personal leave. Each regular full time employee is entitled to use three (3) days of leave each calendar year for personal reasons. There is no carryover of these days.

The amount of accumulated benefits at June 30, 2005, was \$4,664, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK

The Housing Commission maintains cash and investment accounts in the Low Rent Program.

Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$240,164 and the bank balance was \$260,834 of which \$200,000 was covered by federal depository insurance. The Housing Commission has \$200 in a cash fund.

Investments

The Housing Commission had the following investments in certificates of deposit as June 30, 2005:

National City	(CD #20327441)	\$ 10,000
National City	(CD #5050709810)	1,000
National City	(CD #505718150)	1,500
National City	(CD #505791700)	500
National City	(CD #505796820)	1,500
National City	(CD #05-0018128-2)	<u>10,000</u>
		<u>\$ 24,500</u>

Interest Rate Risk - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- | | | |
|-------------------------------------|---|----------|
| 1. U.S. Treasury Notes | - | 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - | 75% and |
| 3. Mortgage Backed Securities | - | 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the statement of net assets is as follows:

Cash on hand	\$ 200
Carrying amount of deposits	240,164
Investments	<u>24,500</u>
Total	<u>\$ 264,864</u>
Cash and cash equivalents:	
Enterprise activities	\$ 285,534
Enterprise activities - deposit in transit	616
Enterprise activities - checks written in excess of deposits	<u>(21,286)</u>
Total	<u>\$ 264,864</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At June 30, 2005, the receivables were \$4,296 with \$2,636 estimated as uncollectible. Bad debt expense was \$2,110.

Accounts Receivables - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. There were no due or payable to HUD as of June 30, 2005.

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs". There were no amounts due or from the Capital Fund Program to the Low Rent Program as of June 30, 2005.

Individual fund operating transfers during the fiscal year are as follows:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Low Rent Program	Capital Fund Program	<u>\$ 86,807</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u> <u>06/30/04</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>06/30/05</u>
Low Rent Program			
Land	\$ 10,116	\$	\$ 10,116
Buildings	2,729,942	37,709	2,767,651
Furniture, equip. & machinery - dwellings	30,843		30,843
Furniture, equip. & machinery - administration	35,070	3,474	38,544
Building improvements	<u>718,634</u>		<u>718,634</u>
	3,524,605	<u>\$ 41,183</u>	3,565,788
Less accumulated depreciation	(<u>2,127,183</u>)	<u>\$ (146,704)</u>	(<u>2,271,036</u>)
Total	<u>\$1,397,422</u>		<u>\$1,294,752</u>
Capital Fund Program			
Building improvements	\$	\$	\$
Construction in progress			
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Combined Totals			<u>\$1,294,752</u>

NOTE 5: INVESTED IN CAPITAL ASSETS

The following is a summary of the activity in the Invested in Capital Assets account:

	Invested in <u>Capital Assets</u>
Balance, beginning (contributed capital)	\$1,397,422
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	<u>(102,670)</u>
Balance, ending	<u>\$1,294,752</u>

NOTE 6: OTHER INFORMATION

A. Pension Plan

The Housing Commission participates in a Simplified Employee Pension-Individual Retirement Accounts Contribution Agreement (SEP). The Housing Commission contributes 6% of each employees wages each fiscal year. During the fiscal year ending June 30, 2005, the Housing Commission contributed \$4,935.

B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Implementation of New Accounting Standard

As of and for the year ended June 30, 2005, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

NOTE 7: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Housing Commission maintains one Enterprise Fund that includes two separate programs which provide housing assistance and grant programs. Segment information for the year ended June 30, 2005, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>
Condensed Statement of Net Assets		
Current assets	\$ 303,838	\$
Property and equipment	<u>1,294,752</u>	
Total assets	<u>\$ 1,598,590</u>	<u>\$</u>
Current liabilities	\$ 21,436	\$
Noncurrent liabilities	<u>1,949</u>	
Total liabilities	<u>23,385</u>	
Net assets:		
Invested in capital assets	1,294,752	
Unrestricted net assets	<u>280,453</u>	
Total net assets	<u>1,575,205</u>	
Total liabilities and net assets	<u>\$ 1,598,590</u>	<u>\$</u>
Condensed Statement of Activities		
Dwelling rent	\$ 92,979	\$
Nondwelling rent	7,161	
Depreciation	(146,704)	
Other operating expenses	<u>(231,961)</u>	
Operating(loss)	<u>(278,525)</u>	
Nonoperating revenues:		
Investment interest income	3,993	
Other income	1,450	
Operating transfers in (out)	86,807	(86,807)
Operating grants	<u>93,611</u>	<u>86,807</u>
Change in net assets	<u>(92,664)</u>	
Beginning net assets	<u>1,667,869</u>	
Ending net assets	<u>\$ 1,575,205</u>	<u>\$</u>

Condensed Statement of Cash Flows

Net cash provided(used) by:

Operating activities	\$ (132,661)	\$
Noncapital financing activities	179,117	
Capital and related financing activities	(44,034)	
Investing activities	<u>3,965</u>	<u> </u>
Net increase(decrease)	6,387	
Beginning cash and cash equivalents	<u>233,977</u>	<u> </u>
Ending cash and cash equivalents	<u>\$ 240,364</u>	<u>\$</u>

SUPPLEMENTARY INFORMATION

BRONSON HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
June 30, 2005
=====

	C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash	\$ 240,364	\$
Accounts receivable-miscellaneous	2,390	
Accounts receivable-dwelling rents	4,296	
Allowance for doubtful accounts	(2,636)	
Accrued interest receivable	150	
Investments-unrestricted	24,500	
Prepaid expenses	16,567	
Inventories	<u>18,207</u>	
Total current assets	<u>303,838</u>	
Property and equipment:		
Land	10,116	
Buildings	2,767,651	
Equipment	69,387	
Building improvements	<u>718,634</u>	
	3,565,788	
Less accumulated depreciation	<u>(2,271,036)</u>	
Net property and equipment	<u>1,294,752</u>	
Total Assets	<u>\$1,598,590</u>	<u>\$</u>

Totals

\$ 240,364
2,390
4,296
(2,636)
150
24,500
16,567
18,207

303,838

10,116
2,767,651
69,387
718,634
3,565,788
(2,271,036)

1,294,752

\$ 1,598,590

BRONSON HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
 June 30, 2005

=====

	C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 7,838	\$
Tenant security deposit liability	8,111	
Accrued expenses	3,952	
Deferred revenues	<u>1,535</u>	
Total current liabilities	21,436	
Noncurrent liabilities:		
Accrued compensated absences	<u>1,949</u>	
Total liabilities	<u>23,385</u>	
Net assets:		
Invested in capital assets	1,294,752	
Unrestricted net assets	<u>280,453</u>	
Total net assets	<u>1,575,205</u>	
Total Liabilities and Net Assets	<u><u>\$1,598,590</u></u>	<u><u>\$</u></u>

Totals

\$ 7,838
8,111
3,952
1,535

21,436

1,949

23,385

1,294,752

280,453

1,575,205

\$ 1,598,590

BRONSON HOUSING COMMISSION
COMBINING STATEMENT OF ACTIVITIES
 Year Ended June 30, 2005
 =====

	C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 92,979	\$
Nondwelling rent	<u>7,161</u>	<u></u>
Total operating revenues	<u>100,140</u>	<u></u>
OPERATING EXPENSES:		
Administration	111,376	
Tenant services	508	
Utilities	39,430	
Ordinary maintenance and operation	57,354	
General expenses	21,893	
Extraordinary maintenance	1,400	
Depreciation	<u>146,704</u>	<u></u>
Total operating expenses	<u>378,665</u>	<u></u>
Operating income(loss)	<u>(278,525)</u>	<u></u>
NONOPERATING REVENUES AND (EXPENSES):		
Investment interest income	3,993	
Other income	1,450	
Operating grants	93,611	86,807
Operating transfers in (out)	<u>86,807</u>	<u>(86,807)</u>
Total nonoperating revenues (expenses)	<u>185,861</u>	<u></u>
Change in net assets	<u>(92,664)</u>	<u></u>
Net assets, beginning	<u>1,667,869</u>	<u></u>
Net assets, ending	<u><u>\$1,575,205</u></u>	<u><u>\$</u></u>

Totals

\$ 92,979
7,161

100,140

111,376
508

39,430

57,354

21,893

1,400

146,704

378,665

(278,525)

3,993

1,450

180,418

185,861

(92,664)

1,667,869

\$1,575,205

BRONSON HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
 Year Ended June 30, 2005
 =====

	C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 101,723	\$
Cash payments to other suppliers of goods and services	(114,683)	
Cash payments to employees for services	(114,851)	
Cash payments for in lieu of taxes	<u>(4,850)</u>	
Net cash (used) by operating activities	<u>(132,661)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tenant security deposits	(361)	
Operating grants	93,611	86,807
Operating transfers in (out)	86,807	(86,807)
Other revenue	<u>(940)</u>	
Net cash provided by noncapital financing activities	<u>179,117</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for capital acquisitions	<u>(44,034)</u>	
Net cash (used) by capital and related financing activities	<u>(44,034)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest and dividends	<u>3,965</u>	
Net cash provided by investing activities	<u>3,965</u>	
Net increase(decrease) in cash	6,387	
Cash, beginning	<u>233,977</u>	
Cash, ending	<u><u>\$ 240,364</u></u>	<u><u>\$</u></u>

Totals

\$ 101,723

(114,683)

(114,851)

(4,850)

(132,661)

(361)

180,418

(940)

179,117

(44,034)

(44,034)

3,965

3,965

6,387

233,977

\$ 240,364

BRONSON HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended June 30, 2005
 =====

C-3025	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH
 EQUIVALENTS PER STATEMENT OF
 CASH FLOWS TO THE BALANCE SHEET:**

Cash	\$ 240,364	\$
Restricted cash	<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 240,364</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME
 TO NET CASH FLOW FROM OPERATING
 ACTIVITIES:**

Operating income(loss)	\$ (278,525)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	146,704	
Bad debt allowance	(1,060)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	1,722	
Prepaid expenses	(6,163)	
Inventories	1,177	
Increase (decrease) in liabilities:		
Accounts payable	2,293	
Accrued wages/payroll taxes	(504)	
Accrued compensated absences	2,097	
Accrued payments in lieu of taxes	(263)	
Deferred revenues	<u>(139)</u>	<u> </u>
Net cash (used) by operating activities	<u>\$ (132,661)</u>	<u>\$</u>

Totals

\$ 240,364

\$ 240,364

\$ (278,525)

146,704
(1,060)

1,722
(6,163)
1,177

2,293
(504)
2,097

(263)
(139)

\$ (132,661)

BRONSON HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended June 30, 2005
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2005	Low Rent Public Housing	14.850	\$ 93,611
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2005	Capital Fund Program	14.872	<u>86,807</u>
	Total		<u>\$ 180,418</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the
accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

BRONSON HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2005

=====

FDS Line Item No.		C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
ASSETS			
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 240,364	\$
100	Total cash	<u>240,364</u>	
	Receivables:		
125	A/R-miscellaneous	2,390	
126	A/R-tenants-dwelling rents	4,296	
126.1	Allowance for doubtful accounts	(2,636)	
129	Accrued interest receivable	<u>150</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>4,200</u>	
	Other Current Assets:		
131	Investments-unrestricted	24,500	
142	Prepaid expenses and other assets	16,567	
143	Inventories	<u>18,207</u>	
	Total other current assets	<u>59,274</u>	
150	Total current assets	<u>303,838</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	10,116	
162	Buildings	2,767,651	
163	Furn, equip & mach-dwellings	30,843	
164	Furn, equip & mach-admin.	38,544	
165	Building improvements	718,634	
166	Accumulated depreciation	<u>(2,271,036)</u>	
160	Total fixed assets, net of accumulated depreciation	<u>1,294,752</u>	
180	Total noncurrent assets	<u>1,294,752</u>	
190	Total Assets	<u>\$1,598,590</u>	<u>\$</u>

Totals

\$ 240,364

240,364

2,390

4,296

(2,636)

150

4,200

24,500

16,567

18,207

59,274

303,838

10,116

2,767,651

30,843

38,544

718,634

(2,271,036)

1,294,752

1,294,752

\$ 1,598,590

BRONSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2005
 =====

FDS Line Item No.		C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES AND EQUITY/NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 3,251	\$
321	Accrued wage/payroll taxes payable	1,237	
322	Accrued compensated absences-current portion	2,715	
333	Accounts payable-other government	4,587	
341	Tenant security deposits	8,111	
342	Deferred revenues	<u>1,535</u>	
310	Total current liabilities	21,436	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>1,949</u>	
300	Total liabilities	<u>23,385</u>	
	Equity:		
508.1	Invested in capital assets	<u>1,294,752</u>	
508	Total equity	1,294,752	
	Net Assets:		
512.1	Unrestricted net assets	<u>280,453</u>	
513	Total net assets	<u>1,575,205</u>	
600	Total Liabilities and Equity/Net Assets	<u><u>\$1,598,590</u></u>	<u><u>\$</u></u>

Totals

\$ 3,251

1,237

2,715

4,587

8,111

1,535

21,436

1,949

23,385

1,294,752

1,294,752

280,453

1,575,205

\$1,598,590

BRONSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2005
 =====

FDS Line Item No.		C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 92,979	\$
704	Tenant revenue-other	<u>7,161</u>	
705	Total tenant revenue	100,140	
706	HUD PHA grants	93,611	86,807
711	Investment income-unrestricted	3,993	
715	Other revenue	<u>1,450</u>	
700	Total revenue	<u>199,194</u>	<u>86,807</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	52,901	
912	Auditing fees	2,500	
914	Compensated absences	2,097	
915	Employee benefit contributions-adm.	25,879	
916	Other operating-administrative	27,999	
	Tenant Services:		
924	Tenant services-other	508	
	Utilities:		
931	Water	16,778	
932	Electricity	4,140	
933	Gas	18,140	
938	Other utilities expense	372	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	29,347	
942	Ordinary maint & oper-mat'ls & other	7,281	
943	Ordinary maint & oper-contract costs	14,506	
945	Employee benefit contributions- ordinary maintenance	6,220	
	General expenses:		
961	Insurance premiums	15,196	
963	Payments in lieu of taxes	4,587	
964	Bad debt-tenant rents	<u>2,110</u>	
969	Total operating expenses	<u>230,561</u>	
970	Excess operating revenue over operating expenses	<u>(31,367)</u>	<u>86,807</u>

Totals

\$ 92,979
7,161
100,140
180,418
3,993
1,450

286,001

52,901
2,500
2,097
25,879
27,999

508

16,778
4,140
18,140
372

29,347
7,281
14,506

6,220

15,196
4,587
2,110

230,561

55,440

BRONSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2005
 =====

FDS Line Item No.		C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	1,400	
974	Depreciation expense	<u>146,704</u>	
	Total other expenses	<u>148,104</u>	
900	Total expenses	<u>378,665</u>	
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(179,471)	86,807
	Other Financing Sources(Uses):		
1001	Operating transfers in (out)	<u>86,807</u>	<u>(86,807)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(92,664)	
1103	Beginning Net Assets	<u>1,667,869</u>	
	Ending Net Assets	<u>\$1,575,205</u>	<u>\$</u>

Totals

1,400
146,704

148,104

378,665

(92,664)

(92,664)

1,667,869

\$ 1,575,205

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Bronson Housing Commission
Bronson, Michigan

I have audited the financial statements of the business-type activities of the Bronson Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2005, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated February 24, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. I have noted other matters involving the internal control over financial reporting that I have reported to management of the Housing Commission in a separate letter dated February 24, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws,

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Bronson Housing Commission
Page Two

Compliance and Other Matters - Continued

regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated February 24, 2006.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sary E. Taullett, CPA, PC

February 24, 2006

BRONSON HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
JUNE 30, 2005

=====

<u>Line Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			

There were no adjusting journal entries.

BRONSON HOUSING COMMISSION
INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

JUNE 30, 2005

BRONSON HOUSING COMMISSION
CONTENTS
JUNE 30, 2005

	<u>Page</u>
Independent Auditors' Report on Communications With the Audit Committee/Board of Commissioners	1-2
Independent Auditors' Report on Management Advisory Comments	3
Management Advisory Comments	4
Adjusting Journal Entries	5

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Bronson Housing Commission

I have audited the financial statements of the Bronson Housing Commission ("Housing Commission") as of and for the year ended June 30, 2005, and have issued my report, thereon, dated February 24, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 5 showing the audit adjusting journal entries).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There were no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Barry E. Taudel, CPA, PC

February 24, 2006

Barry E. Gaudette, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49685
(231) 946-8930
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Bronson Housing Commission

I have audited the financial statements of the Bronson Housing Commission ("Housing Commission") as of and for the year ended June 30, 2005, and have issued my report, thereon, dated February 24, 2006. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

February 24, 2006

BRONSON HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS

June 30, 2005

=====

Cash Collections

Tenants currently can pay their rents by cash, check or money order.

I recommend that the Housing Commission consider not allowing payments by cash. This would provide another internal control in the collection of assets.

BRONSON HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
June 30, 2005

=====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
------------------	---------------------	--------------	---------------

LOW RENT PROGRAM

There are no audit adjusting journal entries.